



City of Chicago

Committee on Finance
City Hall • Room 302 • 60602
www.committeekonfinance.org

Alderman Edward M. Burke
Chairman

Telephone
312-744-3380

December 4, 2007

Mr. Paul Volpe
Chief Financial Officer
City of Chicago
33 N. LaSalle, 6th Floor
Chicago, IL 60602

Dear Mr. Volpe,

You may recall that I have expressed concerns regarding the City's Digital Automated Red Light Enforcement Program (DARLEP) contracts with Redflex Traffic Systems for quite a number of months. In fact, at my insistence, you agreed to re-issue a Request for Proposal for subsequent DARLEP expansions. If the assertions contained in the attached memorandum are true, they are quite disconcerting. This series of questions is simply the latest of many that have riddled the contracting process with Redflex and made it suspect since its inception.

Frankly, I am tempted to schedule a public hearing before the Committee on Finance to secure testimony under oath from the Director of Procurement and others involved in this process. I await your response.

Very truly yours,

A handwritten signature in black ink, appearing to read "Edward M. Burke", with a stylized flourish at the end.

Edward M. Burke



**American
Traffic Solutions**

Memo

To: Alderman Burke (Via Facsimile – 312-744-5932)
From: Bill Kroske, Ph.D.
CC: N/A
Date: December 4, 2007
Re: Vendor Selection Letter for Request for Proposal (RFP)
for Digital Automated Red Light Enforcement Program (DARLEP)
for the City of Chicago
Specification No. 57755

Dear Alderman Burke:

Attached is a copy of the Vendor Selection Letter which was faxed to ATS on November 27 from Douglas W. Yerkes, P. E. (Acting Chief Procurement Officer). Clearly, we are disappointed at the outcome. This memo presents a number of factors which are of concern to ATS, however, it is difficult to prepare a substantive, fact based memorandum without additional information, other than what is presented in the letter.

Below are points of concern about the RFP and procurement process:

1. The RFP and selection process appeared to favor Redflex;
2. We have been told that the evaluation team score sheets show that Redflex was given a perfect score (1000 point score out of 1000 possible points). Given that there were a number of evaluators, if this score is correct, it means that Redflex received flawless, perfect scores from every committee member in every category. We have never seen a perfect score from any selection committee anywhere, particularly when Red Light Programs are procured by the larger cities.
3. The majority of the major US and North American cities and more than 100 other municipalities have selected ATS over Redflex and other red light camera providers, including: ***New York City, Philadelphia, Washington DC., Houston, Fort Worth, Irving, San Diego, Seattle, Phoenix, Scottsdale, St. Louis, Kansas City, Tucson, New Orleans, Baton Rouge and Calgary, Alberta.***
4. The ATS proposal was fully compliant with the City's MBE WBE requirement. Our proposal included certified commitments from MBE and WBE firms. Our proposed solution included a commitment to allocate 30% of the work and contract value to certified MBE (25%) and WBE (5%) subcontractors

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5. On January 24, 2007, Barbara Lumpkin approved the joint Redflex - Office of Emergency Management & Communications request for a Partial Waiver of the City's MBE/WBE requirement. Below is a quote from Joseph Chan's January 16 memo to Barbara Lumpkin:
*"[Redflex] has made good faith effort to support the City's MBE/WBE requirement with full compliance on the DARLEP construction and installation component.
Total partial participation for this contract is 7.69% for MBE and 1.86% for WBE. Therefore, OEMC and [Redflex] request a partial waiver of MBE and WBE commitments in the percentages referenced above, as full participation on this contract is impracticable. See the [Redflex] partial waiver request letter dated 01/11/07 and the OEMC concurrence letter dated 01/12/07.*
OEMC and Redflex's claim that "full [MBE WBE] participation on this contract is impracticable" is not accurate. We were surprised that Redflex made this claim and more surprised that the request for partial waiver was approved by purchasing.
6. We have been unable to obtain Vendor Selection results or details, however if the Redflex proposal did not include full, 30% MBE WBE participation consistent with the RFP and the City's requirement, then the Redflex proposal would have been non-compliant.
7. In order for Redflex to have received the highest score, Redflex had to have been fully compliant with all terms of the RFP, including MBE WBE participation and references from three cities of equal size. The ATS proposal complied with both. References were provided for all ATS contracts, including New York City, Philadelphia, Washington DC, Houston and St. Louis.
8. Additionally, in order for Redflex to have received the highest score, the Redflex proposed pricing must have been the lowest price, presented without conditions. If this was the case, then the Redflex RFP response price offered must have been close to 50% lower than the rates Redflex currently charges the City for the same services as set out under the Redflex [sole source] Contract Modification Revision No. 3 (Mod 3 to Contract Number 3220).
9. We are concerned that the procurement process did not include oral interviews or presentations by bidders, which is typical as part of this type of procurement. We are also surprised that the referenced "Phase III" part of the procurement process was eliminated. The RFP set out what was called Phase III, which included a comprehensive equipment and technology demonstration and evaluation. The RFP indicated that a short list of vendors would be selected after the Phase III process. Given the size and scale of the procurement, we were surprised that these key procurement processes were not carried out as contemplated in the RFP document.
10. We were also concerned that one of the key selection committee members appears to have had a conflict of interest. John Bills, who is the current DARLEP program manager also appears to have played a significant role in the selection process and lead evaluation calls to ATS reference cities, including New York City. At the same time, Redflex has listed the very same person (John Bills) as Redflex's company and service reference in concurrent RFP responses across the country.
11. ATS is a US company, owned by Americans and offers American Made technology. ATS complies with "Buy America" provision. On the other hand, Redflex Traffic Systems is a wholly owned subsidiary of an Australian company, based in Melbourne, Australia. Redflex

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manufactures its equipment and develops its technology in Australia. Revenue and profits from US operations are transferred to Australia.

After initial review of the City of Chicago's DARLEP RFP, we believed that the competitive process benefitted Redflex, which is the City's existing vendor. We believe that the procurement processes were manipulated previously by Redflex. The first instance was when Redflex's initial contract with the City "morphed" from a non-exclusive \$1.8M contract into an exclusive contract with a value of up to \$100M. All of this was accomplished without any discussion, notice, a new RFP or any other open-bidding process.

Based on our call to the procurement services department, it appears that there is no clear option to protest the vendor selection or procurement process until the award has been made and the contract has been executed with the selected vendor. It would be most helpful if we could review the score sheets and other information before the award and contracting process progresses.

The selection process creates the impression that Redflex was given preferential treatment. As such, aside from other options, we believe that the City should require the procurement process to include vendor interviews and the Phase III which was set out in the RFP. In the end, we believe that this complete process will ensure that the City will have been better served and the outcome would be definitive.

Thank you for your time.

Regards,

American Traffic Solutions, Inc.

Bill Kroske